DOCUMENT RESUME

ED 412 854 HE 030 645

AUTHOR	Riggs, Henry E.
TITLE	Not So Different After All: Academic and Industrial Leadership in the 1990s. AGB Occasional Paper No. 29.
INSTITUTION	Association of Governing Boards of Universities and Colleges, Washington, DC.
PUB DATE	1996-00-00
NOTE	18p.
AVAILABLE FROM	Association of Governing Boards of Universities and Colleges, One Dupont Circle, Suite 400, Washington, DC 20036 (members, $4.95; nonmembers, $9.95; quantity discounts).
PUB TYPE	Opinion Papers (120)
EDRS PRICE	EDRS Price MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS	Administration; Administrator Role; Business Administration; Corporations; Governance; *Governing Boards; Higher Education; Leadership; *Leadership Qualities; Leadership Styles; *Trustees

ABSTRACT

This paper discusses the similarities of issues faced by academic and corporate leaders. Both types of institutions must adapt to the same societal, economic, and political pressures. These include rapidly changing markets, heightened competition, new technologies, and demands for accountability by multiple constituencies. Both industrial and academic leaders share a belief in empowerment (sharing and delegating responsibility), the need to balance short-term with long-term priorities, constraints on labor flexibility, and a weakening of resistance to all ideas "not invented here." There are also similar employee recruitment processes and recognition of leadership skills. Distinctions between the two organizational settings include academic freedom, educational outcome measurement, and resistance to change. Despite these differences, academic leaders can learn from the similarities with industrial organizations as they respond to challenges that include defining who the actual customers are of higher education and confronting the notion of higher education as a closed system that is resistant to change. (JLS)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 412 854

Association of Governing Boards
of Universities and Colleges

Not So Different After All: Academic and Industrial Leadership In the 1990s

by Henry E. Riggs

AGB OCCASIONAL PAPER No. 29

BEST COPY AVAILABLE

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy

PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL IN OTHER THAN PAPER COPY HAS BEEN GRANTED BY

AGB

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

HE 030 645

The AGB Occasional Paper Series addresses current and emerging issues of concern to board members and administrators in the context of their institutional settings. Some titles in the series are commissioned by AGB; others are the work of reputable individuals or groups whose work comes to our attention. This series of publications is intended to inform debate and discussion, not to represent or imply endorsement by the association or its members.

AGB distributes complimentary copies of new titles in the Occasional Paper Series to chief executives and board chairs of member institutions. Individuals may purchase additional copies at a nominal charge by calling or writing to AGB. The association grants permission to its members to photocopy and distribute this paper. Copyright © 1996 Association of Governing Boards of Universities and Colleges. All rights reserved.

Association of Governing Boards
of Universities and Colleges
One Dupont Circle • Suite 400
Washington, D.C. 20036
Tel: 202/296-8400 Fax: 202/223-7053

Executive Summary

Higher education and industry are no longer worlds apart, and the view that academic and corporate leaders have nothing to learn from each other deserves correction. Henry E. Riggs, president of Harvey Mudd College in Claremont, Calif., and a former corporate chief executive officer, suggests higher education and industry are surprisingly similar and growing more so.

Riggs notes that higher education and industry must adapt to the same societal, economic, and political pressures. He identifies four of these external forces:

- rapidly changing markets,
- heightened competition,
- new technology, and
- demands for accountability by multiple constituencies.

He then describes the similar ways in which higher education and industry have responded to these pressures, through internal organizational assumptions and management practices. Specifically, Riggs notes a common belief in empowerment (sharing and delegating responsibility), the need to balance short-term with long-term priorities, constraints on labor flexibility, weakening of what he terms the "Not Invented Here" syndrome, similar employee recruitment processes, and recognition of leadership skills.

Riggs also discusses long-standing distinctions between colleges and universities and industrial companies, including academic freedom, educational outcome measurement, and resistance to change. While advising leaders to remain sensitive to these differences, he concludes by asking them to acknowledge and learn from their similarities as they each confront various challenges. These challenges, which he frames as questions, include the following:

- Who are the real customers of higher education?
- Is higher education a "closed system," in which innovation is too quickly rejected?
- Would industry benefit from greater shared governance and an emphasis on leadership rather than on top-down management?

A sidebar on pages 8 and 9 addresses the parallels and contrasts between boards of trustees and boards of directors. Riggs suggests trustees must assume greater responsibility for driving change.

Not So Different After All: Academic and Industrial Leadership In the 1990s

By Henry E. Riggs

"The most influential management models for higher education derive principally from the corporate sector," wrote then University of Maryland Professor Richard P. Chait in a 1995 AGB *Occasional Paper*, "The New Activism of Corporate Boards and the Implications for Campus Governance. "Whether correct or not, conventional wisdom holds that businesses are better managed than colleges and universities."

Contrast this statement to the words of management guru Peter F. Drucker in "What Business Can Learn From NonProfits" from the July-August 1989 *Harvard Business Review*: "...In the most crucial area—the motivation and productivity of knowledge workers—[nonprofit organizations] are truly pioneers, working out the policies and practices that business will have to learn tomorrow."

While these observations are equally cogent and proposed by experts of equal distinction, they are polarized. Which is the more accurate? Many observers, including the academic and popular press, say the tasks and pressures facing a college president are worlds apart from those facing an industrial president. As proof, they cite the short average tenure of many academic chief executives and the health problems of others. Trustees and regents of colleges and universities seem to share that view, but at the same time they shake their heads—even despair—that colleges and universities operate so little like for-profit enterprises. In doing so, these semi-outsiders send not-so-subtle messages that higher education institutions would do well to adopt more of industry's practices.

Such messages are resisted strongly by the "inside" academic community. Most academics contend (often with a sense of relief and occasionally an air of superiority) that in all important respects—from purpose, to organization, to reward structure, to measurement and control systems—their institutions differ markedly from industry. They can quote chapter and verse the reasons why industrial management techniques will fail in the academic world.

Indeed, the traditional stereotypes of higher education clash sharply with those of old-line industry. The rural, residential, midwestern, liberal arts college seems to bear little similarity to its geographic neighbors: steel mills, auto fabricators, and machine-tool manufacturers. The scholarly, gentle, contemplative, tweed-coated, liberal arts college president doesn't have much in common with the commanding, tough, authoritative captain of a heavy-manufacturing industrial company.

The problem is that these stereotypes are wrong. Higher education institutions and their leaders have changed radically over recent decades. Small, residential liberal arts colleges now educate less than 10 percent of the undergraduates in this country; large universities, most of them public institutions, dominate higher education. And heavy industry comprises a decreasing share of the nation's economic activity; service and light manufacturing operations—increasingly high-tech and high-touch—dominate what I broadly refer to in this paper as industry. The jobs of the college president and the industrial captain are substantially different than they were a half-century ago.

Having spent some early years as president of a company and more recent years as an academic president, I am convinced the jobs are startlingly similar and growing more alike with time. However, lest my academic colleagues dismiss my observations as those of just another "for-profit type" seeking to impose unworkable methods on the unique environment of higher education, I must emphasize that not all elements of industry models and processes—particularly those of control and management—can be transferred to academe. The reverse is also true. Additionally, despite many similarities between their core responsibilities, I do not suggest that academic presidents be recruited from industry or industry executives be recruited from academe. I do suggest, however, that the hand-wringing about

the exceedingly difficult task of academic leadership is overdone.

More important is to gain awareness and appreciation of the similarities and differences in leadership tasks, methods, styles, and assumptions so we can focus more usefully on the many lessons we might learn from each other. (To learn those lessons, we in higher education must know where to look. I often find that the most thought-provoking and useful articles about leadership are published by the business press rather than the higher education press.)

What has caused the two leadership types to converge? I propose that academic and industrial institutions are being reshaped by the same four external forces: rapidly changing markets, heightened competition, new technology, and demands for accountability by multiple constituencies. Additionally, each sector is responding to these forces by transforming internal management methods and practices. Incidentally, this trend is particularly evident among technology-intensive companies whose success partly depends upon a cadre of highly educated, creative, and independent professionals created by and found in colleges and universities.

External Forces of Change

Industrial companies and academic institutions prosper or falter in the same economic, societal, and governmental environment, where the forces of change are formidable.

1. Rapidly Changing Markets Create Market-Driven Strategies

It is an article of faith in industry that markets change rapidly, particularly in present times. Academic institutions are awakening belatedly to realize that they too operate in markets that are rapidly changing. Companies are much more zealous than they once were about "getting close" to customers by understanding and satisfying customers' needs. In many companies, all corporate strategies are built on this base; their capabilities are unambiguously focused on satisfying customers.

Higher education follows in these footsteps. Academic institutions operate in many markets: the labor markets for faculty and staff, the student recruitment market, the philanthropic market, the research funding markets (public and private), the credit market, and the job placement market. Each market gives feedback to our academic institutions in ways and at decibel levels never encountered previously. Higher education is not sanguine about what it is hearing.

The composition of the academy's future student bodies will be radically different than it was two decades ago in three significant ways: (1) The traditional white student soon will be in the minority; (2) the average age of students will continue to rise (the fastest growing market is adult learners); and (3) the "preparation gap" of entering students will continue to widen. All these student-customers have needs, and our colleges and universities will have to become more market sensitive and user/student-friendly. While higher education may *appear* to be deaf to that marketplace pressure, the reverse is true. Consider these few but ubiquitous examples:

Students and others tell us they need colleges and universities to pay closer attention to undergraduate learning. In response, some public institutions are developing honors colleges or other "colleges-within-the-university."

Our customers tell us they need lower prices or at least a sharp deceleration of tuition increases. While only a handful of institutions have lowered their cost, many more may follow suit if such a strategy is successful. What's more, many institutions have slowed the growth of price increases to better match inflation.

Traditionally, faculty have defined university research agendas and then sought funding. No longer. Increasingly, faculty are challenged to understand the needs of the funding sources—public and private—and then design responsive research proposals. Faculty and others may lament the obvious trend of diminished resources for basic research, but such are the fiscal realities of the research marketplace. Massachusetts Institute of Technology maintains a Washington, D.C., office for the same reason as most defense and aerospace contractors: Get close to the customer to better understand the customer's needs.

The philanthropic market place is similar. Once donors provided unrestricted funds to colleges and universities, which were allocated at the administration's discretion. Today, restricted gifts—where the donor designates use—comprise about 90 percent of the aggregated gift receipts of colleges and universities. The response of the

academic leader is the same as that of the industrial marketing manager: Get close to the customer (donor), understand his or her needs (hopes and desires), and match them to the needs (opportunities) of the institution.

2. Heightened Competition

Competition is a way of life for industry. However, the arrival of global markets and global suppliers has made it more intense. In the academic world, heightened competition is a new reality, sprung up among colleges and universities to an extent and in ways that some view as unseemly.

Ask any admissions officer, from the most elite college to the most comprehensive state institution, about competition to attract the best students. Despite differences in the definitions of "best students" among institutions and even constituencies, the competition to attract them is nearly universal. While the general public may not be fully aware of the price competition that has come to higher education (particularly among private institutions), admissions offices are resorting to a blizzard of recruiting techniques: discounted tuition, special scholarships, and other deals. Tuition's "sticker price" only indicates where the bargaining begins.

Competition extends to the research dollar, as research support from federal agencies and industrial research labs shrinks. This is also true for the philanthropic dollar: Not only are social agencies and cultural institutions relying more on gift funds as governments reduce funding, but public institutions also are entering the fund-raising business in record numbers. Institutions are competing fiercely to set and achieve very ambitious capital campaign goals—and competing for the talented, responsible, experienced development officers, who are in short supply.

Academic fund-raising techniques bear a startling resemblance to those employed in consumer and industrial marketing: Understand the values important to the customer, link price to value, segment the customers based upon geography and special interests, use direct mail, and so forth.

Additionally, colleges and universities compete for faculty, although higher education traditionally has felt relatively immune from labor market forces. However, those markets are placing differential values on different skills and abilities, just as is the case in industrial markets. An example of this is the increasing divergence of faculty salaries across disciplines.

Chief executive officers of biotechnology companies are as unlikely to dictate investigative paths to their companies' research scientists as academic presidents are to outline a faculty member's precise scholarly research or course syllabus.

3. An Avalanche of New Technology

Leaders in industry and the academy are struggling to understand and apply cost-effectively an avalanche of new technology, much of it to operations and marketing. The technology emphasis in industry has been on improving productivity, but leaders increasingly realize that technology yields an equal payback in improved quality. For faculty, the motivation to adopt new technology has been quality improvement—more effective teaching and learning. Only as financial pressures intensify in higher education do academic leaders view technology as a possible source of reduced costs. The phrase "teaching productivity" is still anathema to some faculty members, but it inevitably will become less so.

A key challenge for leaders in both arenas is to realize—and then convince their organizations—that productivity and quality improvements are not competing or contradictory priorities. Not only are they compatible, they are mutually reinforcing.

4. Demand for Accountability from Multiple Constituencies

The world has long empathized with college and university leaders in their struggles to cater to multiple constituencies: students, parents, faculty, alumni, trustees, staff, donors, lenders, research funders, government regulators, the appropriations committees of state legislatures, and many others. Indeed, the need to orchestrate the often conflicting demands of these many constituencies usually is cited as a major factor in differentiating the academic president's job from that of his or her industrial counterpart. To be sure, one peculiarly academic constituency is tenured faculty; the president's accountability to his or her faculty presents special challenges.

Nevertheless, in this instance, industry increasingly is moving toward the academy. We now hear that industry must be responsive to multiple stakeholders, including employees, members of the surrounding community, government regulators, suppliers, joint-venture and alliance partners, and customers—in addition to the traditional stakeholders of shareholders and debtholders.

In both worlds, the demands for accountability become more shrill by the day—accountability that reaches well beyond finances. But as for financial accountability, the scrutiny from trustees and others finally seems to be causing us to scrap—or at least greatly modify—traditional fund accounting, an accounting method that obscures far more than it ever illuminates.

Similar Management Behaviors and Methods

Given that these four external forces are evident in industry and academe, one would expect operational responses to be similar. Indeed, such is the case. We may use different vocabulary to describe such management practices, but the organizational assumptions that underlie them and the day-to-day behavior changes they elicit are more alike than not. Nor are the similarities confined to support staff or nonacademic activities. Rather, they apply to the mainline teaching and research activities as well.

Empowerment

This word has become a cliché in business. Industry has come to recognize the benefits of delegating authority and responsibility well down into the organization. It has taken business a long time to discard the management structures promulgated by Frederick W. Taylor at the turn of the century and grasp the obvious: The person who performs a task is usually in the best position to figure out how to do it better. Empowerment requires top management to share key tasks with colleagues throughout an organization.

College and university leaders have been doing this with faculty for generations; in the academic world, it's called "shared governance." Academic institutions long have acknowledged that their strength lies in those who do the "line" work of teaching and research. Faculty members are usually the source of the best new ideas, and they have much of the responsibility for implementing new initiatives. That sounds like empowerment to me.

To the extent that a company has highly competent and dedicated employees—from officers to scientists and technologists to marketing directors to the rank and file—those employees expect to be involved in key decisions: They expect a real form of shared governance for precisely the same reasons that faculties insist on shared governance. Chief executive officers of biotechnology companies are as unlikely to dictate investigative paths to their companies' research scientists as academic presidents are to outline a faculty member's precise scholarly research or course syllabus.

There is a critical difference, however. Tradition and constitutions *require* academic chief executives to seek advice and counsel of faculty on virtually all key matters, not solely those affecting curriculum, pedagogy, and research. Industrial chief executives retain the *option* to empower and generally do so regarding a more limited set of corporate issues.

Empowerment in the academy extends to students as well. Old traditions of "command and control" teaching—lecturing to students and testing them on the lectures—are giving way to coaching, mentoring, and collaborating to encourage students to take responsibility for their own learning.

Industry has witnessed the enormous increase in the use of teams for solving problems, developing new products, and planning marketing strategies, among other functions. The academic

world is replete with faculty committees, for which it is frequently and appropriately criticized. When a committee is constituted as a task force with specific and consequential goals, a time frame, and members who are given distinct roles, the committee is simply a team by another name. As industry responds to a challenge or problem by setting up a team, so the academic world inevitably forms a faculty committee.

Imbalanced Priorities

Corporate America is criticized frequently and vehemently for overemphasizing earnings per share one fiscal quarter at a time. The argument goes that too many companies sacrifice long-term priorities—research, market development, modernizing facilities—to the expediency of near-term profits. On the other hand, the long term is irrelevant unless the company and its managers survive the short term. Balance is key. Every industrial leader knows it, but developing consensus on just what constitutes the proper balance is no simple matter.

The academy is roundly criticized for overemphasizing faculty research at the expense of teaching activities, particularly with undergraduates. When the phrase "scholarly activity" is substituted for research—an appropriate substitution for most faculty members—the conflict between short-term and long-term priorities becomes more apparent: Teaching timelines are short compared with research timelines. A faculty member who is today a fine classroom teacher must remain intellectually active and alert to sustain or enhance his or her teaching excellence. As teaching becomes less an activity of lecturing and more one of mentoring or coaching, the greater the importance of a faculty member's dedication to building his or her intellectual capital.

Interestingly, the public reverses its arguments in the two realms: Industry, some pundits suggest, should take a longer view (invest in research and development), and the academy should focus more on the short-term (focus on

Governance: Boards of Trustees and Boards of Directors

Governance deserves special mention primarily because the two types of boards serve similar functions, which they often carry out ineffectively. Recent studies emphasize the similarities between corporate directors and trustees in not-for-profit organizations. In addition to their important fiduciary responsibilities, their chief tasks include oversight; advice, counsel, and questioning of the chief executive and his or her management team; selection, evaluation, and support of the chief executive; and when required, replacement of the chief executive.

Both kinds of boards face the "director's dilemma," a phrase defined by William G. Bowen, president of the Andrew W. Mellon Foundation and former president of Princeton University, in his book *Inside the Boardroom*. The crux of the dilemma, Bowen says, is the difficulty of maintaining a balance between trust and collegiality, the necessity of conscientious board members to be simultaneously supportive and critical, and the justifiable uneasiness that occurs as a result.

Boards need to strike a balance between overseeing and meddling. Industrial boards often do so by keeping too great a distance from the corporation; higher education trustees have the opposite tendency. Boards in both realms are self-perpetuating: In the case of not-for-profit boards, they are self-perpetuating by constitution; in industry, they are self-perpetuating by practice—absent takeovers or proxy battles.

While selection criteria typically are neither clear nor explicit, independent academic institutions consider wealth; public academic institutions often consider political affiliation. Such criteria seldom are relevant to industry. However, in both realms, the chief executive may have too strong a voice in selecting new board members, a situation that exacerbates the "director's dilemma."

undergraduate teaching). Balancing the conflicting long-term and short-term priorities is an art to be practiced by both sets of leaders.

Managing Decentralization

As both industrial companies and universities grow and diversify, they tend to decentralize into entities that become decreasingly similar. In industry, companies evolve from functional organizations to separate divisions to groups. Over time, some corporations take on the characteristics of holding companies.

Colleges and universities evolve in much the same way: from academic departments to separate schools within the university, perhaps to multiple campuses. The individual units become more heterogeneous: The activities of the English department in the school of arts and sciences, for example, are vastly different from those in the cardiology department of the medical school.

Large research and land-grant universities pursue substantially less focused missions than those in the corporate world—giant multi-industry, multi-national concerns. The argument holds, then, that decentralization challenges academic leaders even more than it does their peers in industry. Ask any university president where the power, the authority, and the resources reside on his or her campus; his or her answer will be unequivocal. They are in the schools, particularly the professional schools and the athletic department—units that raise their own funds and resent sharing them with the central administration as a "tax" for being part of the university. The business school dean's office may be across the street from the president's, but often it may as well be in Tokyo or Karachi or Rio.

Decentralization creates challenges of coordination and control equally for the academic leader and the industrial executive. They struggle to develop appropriate information and reporting systems; they agonize over the right balance between providing incentives (not just monetary ones) and exercising control; and they labor to

---

Both types of boards rely on committees, not-for-profits more so than industrial companies. Chief executives in both realms struggle to keep their boards well-informed, yet not smothered with data. Not-for-profit boards are satisfied too easily with information that is either insufficient or nearly incomprehensible to a semi-outsider, such as fund-accounting financial statements.

Critics of industrial boards press for a separation of the functions of board chairman and chief executive, whereas this separation is well entrenched in higher education. Not-for-profit boards also tend to have one insider—the president—as a regular member; corporate boards usually include two or more, although there is a trend toward including fewer.

The composition of academic boards differs from that of industrial boards because of two factors: (1) motivation for serving on the boards, and (2) the significant fund-raising responsibility of not-for-profit boards, usually not a concern for corporate boards. These factors also account for academic boards being far larger, in general, than their industrial counterparts and their members being less attentive (they are, after all, uncompensated).

Finally, both types of boards must assume greater responsibility for driving change when trouble arises. Although many corporate boards remain lax in taking assertive action, many prestigious companies—IBM, Sears, American Express, and General Motors, among them—are shaking up management and questioning strategies. Such high-profile examples provide useful lessons for boards of trustees, many of which also are reluctant to make proactive decisions. Internal constraints in most academic institutions inhibit the president's ability to implement radical change successfully—all the more reason why institutions need trustees to drive change. To a greater extent than corporate directors, academic trustees have to take the heat by making their demands clear to the organization—not just the president—and then providing full support to administrators as they implement required, yet often unpleasant, changes.

reinforce the organization's central mission and culture in far-flung and disparate units. Both industry and the academy pay a price for this decentralization. For example, neither is immune to the occasional ethical lapse, financial surprise, or public-relations debacle.

Constraints on Labor Flexibility

A common, although admittedly less frequent, lament of industry is that labor unions restrict a company's flexibility to change operational methods, reassign employees, alter incentive compensation plans, and augment or reduce the labor force. In some countries (Germany, and to some extent Japan), these constraints—some in the form of governmental regulations—are powerful restrictions on managers' freedom to make decisions regarding the work force.

Unions are not absent in colleges and universities: Faculty, staffs, and now graduate students often are organized, even if informally. Further, the academy operates with the additional constraint of faculty tenure. Just as most industrial executives would prefer to operate in a non-union environment, most academic leaders would not invent tenure if they were designing a higher education system from scratch. But as industry has learned to accommodate labor unions, so the academy accommodates tenure. The long probationary period of typically six or seven years for faculty and the gravity of the tenure decision (are others prepared to embrace the candidate as a colleague for 30 or 40 years?) are powerful quality-control mechanisms not apparent to critics who focus solely on tenure's lifetime employment guarantee.

Compare this situation with the difficulty that many industry managers have in parting company with a mediocre, barely satisfactory employee who survives year after year. Many such employees achieve de facto tenure, particularly in large, stable organizations. They face little risk of dismissal, short of the entire enterprise failing or going through the now commonplace practice of downsizing. Moreover, in this age of widespread litigation, employees in all types of organizations can use a heavy arsenal of legal weapons to help them keep their jobs: alleging age discrimination, unjust dismissal, or gender or ethnic bias, among them.

Still another form of "corporate tenure" is the industrial practice of granting golden parachutes to senior executives. (Top academic administrators sometimes are granted these arrangements as well.) One reason this practice has evolved may be loosely analogous to the reason tenure arose in the academy: fear of abrupt and capricious dismissal.

Weakening of the "NIH" Syndrome

A common shortcoming shared by industry and academe is the quick dismissal of all ideas and practices "not invented here (NIH)." However, as Japanese industrial managers demonstrated to their counterparts around the world the benefits of learning from others, this syndrome—a kind of myopia—is on the wane in industry. Innovative companies actively practice "benchmarking" to search out best practices in other organizations and emulate them. Many alliances and joint ventures have developed domestically and across national borders as companies recognize the benefits of "teaming." Often, the key benefit is organizational learning.

Fortunately but belatedly, higher education is following industry's lead. To date, academic benchmarking has focused on administrative rather than teaching processes, but increasing emphasis on assessing educational outcomes is likely to accelerate benchmarking of teaching and learning processes. Colleges and universities are discovering they have a great deal to learn from other academic institutions, and not solely from the so-called academic elite. Some of the most intriguing innovations have flowered in institutions that don't even come close to making everyone's top-ten list of prestigious institutions! And the academy is discovering the benefits of cooperating. Even the wealthiest of our colleges and universities know they must share and borrow library resources. The consortiums in the Connecticut Valley in western Massachusetts and in Claremont, Calif. have learned to share a host of class offerings, specialized student services, and selected administrative functions. Financial pressure is a great antidote to the "NIH" syndrome.

Recruitment Processes

The academic hiring process for faculty and administrators often appears inefficient. Colleges and universities form multi-constituency task forces, search far and wide, and consume months of time and effort to hire a senior (sometimes even a junior) faculty member, dean, vice presi-

dent, or chief executive. Without defending all aspects of this cumbersome process, industry is adopting some of its more useful aspects. Searches in the industrial world have become broad and lengthy, candidates often are subjected to many interviews by senior and peer members of the organization, and peer evaluations play an important role in final hiring decisions.

Leading Versus Managing

If industry has led the academy in implementing many changes in operational practices and behaviors, the academy has led the practice of good leadership. All management literature and development programs, whether geared to industry, not-for-profit organizations, government, or other entities, stress that presidents must lead, not just manage. As Warren Bennis says in his 1993 book, *An Invented Life* (pp. 75-78), "In contrast to just 'good managers', true leaders...affect the culture, are the social architects of their organizations, and create and maintain values.... The standard criteria for choosing top-level managers are technical competence, people skills, conceptual skills, judgment, and character. And yet effective leadership is overwhelmingly the function of only one of these: character."

Successful academic presidents have emphasized leadership over management for two reasons. First, as noted earlier, they must respond to—and in a real sense, depend upon—a broad range of constituencies. Second, presidents could not manage most of these constituencies if they wished. Of faculty, students, alumni, donors, legislators, the public, trustees, and administrative staffs, the academic president manages—in a command and control sense—only the last. The rest can and often do thumb their noses at directives. They must be led: inspired, coaxed, encouraged, cajoled, supported, and coached.

One form of corporate tenure" is the practice of granting golden parachutes to senior executives. The reason may be loosely analagous to the reason tenure evolved in the academy: fear of abrupt and capricious dismissal.

Leadership has become more widely recognized as the key responsibility for industrial chief executives as they realize the benefits of (1) being more responsive to many quite unmanageable constituencies, including customers, suppliers, employees, directors, local community members, joint-venture and alliance partners; and (2) empowering employees and delegating responsibility to an unprecedented extent.

Academic executives may have pioneered the art of leading constituencies, but in some ways, industrial chief executives have been quicker to focus their leadership skills on adapting organizational cultures to new competitive, financial, and technological realities. Such leadership has resulted in a faster pace of change, particularly among the most prestigious and revered institutions: Top industrial companies have sought to adapt their corporate cultures aggressively, whereas the most elite academic institutions have been among the least adaptive.

Fortunately, the job of president is more interesting, more challenging, and more satisfying when the key task is leading. That condition is as true in industry as it is in the academy.

This brief catalog of common management behaviors and methods is not exhaustive. Both academic and industrial organizations are now—or soon may be—involved in downsizing, struggling to turn fixed expenses into variable expenses, worrying about asset management, engaging in image management, public relations, and a variety of ceremonial functions.

Persistent Differences

Despite the many parallels, certain profound and entrenched differences between the academy and industry must be recognized and respected, es-

pecially when we consider adopting industrial models of organization and management. Some of those differences follow.

Unclear Customer Set

Unlike successful, profitable companies, higher education's "customer set" often is unclear and shifting. In one view, students are the customers; in another, they are perceived as "raw material" for the process of higher education. Further, the "key" customer may not be the person who pays for the service, and in the case of institutions that have the luxury of employing selective admissions policies, the supplier may refuse service to many more student-customers than it serves and be unwilling to add capacity. Higher education administrators view faculty and donors, as well as students, as customers. For public institutions, the list expands to include elected representatives.

Quality Assessment

In industry, the chief arbiters of quality clearly are customers; in higher education, faculty are the chief arbiters of quality. However, as noted earlier, higher education may be entering a new era in which leaders pay greater attention to the feedback about quality they receive from various constituencies.

Measurement of Outcomes

In higher education, we still are struggling to assess educational outcomes—quality of the product—in meaningful ways. Should we use standardized tests to measure learning? Are job placements a reasonable outcome measure, given that most institutions educate students for life rather than for specific jobs? How can we qualitatively measure the more subtle purposes of higher education—for example, developing responsible citizens and acquainting students with their own and other cultures?

Nevertheless, our publics demand better assessment and understandably so. Our traditional measures of quality focus largely on inputs: number of faculty, class size, volumes in the library, and so on. In the absence of reliable and clear outcome measures, colleges and universities tend to organize and conduct their affairs with an eye to satisfying faculty; without clearly defined objectives, faculty adopt objectives that are to their benefit.

Industry has far fewer problems in measuring its outcomes. While the "bottom line" may put too much emphasis on short-term results, the "bottom line over time" is industry's fundamental and unmistakable measure of success.

Accreditation

Peer review is the essence of higher education accreditation. Accreditation, which is nominally voluntary, is deemed necessary because of higher education's public-service responsibilities. While regulation of industry may be roughly parallel to accreditation, and virtually all professions are licensed by panels consisting of peers, academic accreditation is far more pervasive—and unfortunately often more political.

Academic Freedom

The principle of academic freedom is strongly protected by the culture of higher education and the legal constitutions of colleges and universities. Academic freedom has no counterpart in industry. One of the byproducts of academic freedom is frequent, open, and vociferous (occasionally uncivil) criticism of management, particularly by faculty and students. Of course, similar contentiousness can arise in industry when labor unions are strong and labor-management communications break down.

An interesting twist: Arguably, the exercise of academic freedom often breeds political correctness, which itself compromises the freedom of expression it seeks to protect.

Resistance to Change

While resistance to change is hardly absent from industrial organizations, it is far more rampant on college and university campuses, in part because the prevailing academic culture requires decision making by consensus. Two of the academy's constituent groups—students and alumni—reinforce conservatism, but the faculty and many administrators share it as well. Their resistance is understandable: They have not needed to change. They sought scholarly careers in part because these careers were secure, stable, predictable, and involved few strict deadlines. Administrators' natural conservatism is sustained further by two factors: (1) income stability in most elite private institutions (at least for the present) and until recently in most public institutions and, (2) the resulting absence of finan-

cial pressure for radical transformation.

Resistance to change also is reinforced by the important role that tradition plays in the life of an academic institution. Academic presidents see themselves as part of their institutions' traditions, and their plans for the future must respect the past and assure institutional longevity. Some critics argue that academic leaders are unduly constrained by their institutions' traditions. By contrast, an industrial chief executive who is less bound by tradition may see many positive benefits arising from a sharp break from past practices, and may view the future merger or acquisition of the company as a logical and desirable outcome.

However, a parallel exists between the academy and at least one notable segment of industry—public utilities. With deregulation, utility companies are being plunged into turmoil as they try to adapt to a competitive environment. Many managers are working hard to change their organizational cultures. As higher education prepares for the changes of the next decade or two, administrators may discern useful lessons from their utility-industry colleagues.

Ironically, academic institutions have not become learning organizations devoted to continuous change and improvement, despite the opposite expectations they have for their students.

Fragmentation

With great diversity across institutions and within segments of the academic market (liberal arts colleges, engineering programs, doctoral programs, and the like), no single institution has a market share that approaches domination even of a single market segment, nor, one might argue, does a single institution dominate a national or international market. Moreover, institutions typically are not motivated to grow or to gain market share.

This fragmentation partly accounts for the dramatic reshaping of higher education for the last several decades, even as individual colleges and universities were changing slowly and incrementally. The sum of these incremental changes—growth in total enrollment, an increasing emphasis on adult students, executive programs, satellite campuses or remote delivery, and a shift toward career-oriented majors—is greater diversity of missions among the more than 3,000 academic institutions in this country than was the case in the first half of this century.

No Relevant Capital Market

In industry, mergers, takeovers, and leveraged buyouts redistribute capital among winners and losers, and the ever-present threat of these actions encourages managers to take corrective action before a fiscal crisis ensues. In the academy, no similar capital market operates (although the occasional merger occurs), and the well-endowed institutions are particularly well shielded from fiscal threats.

Further, because industrial concerns have access to well-organized capital markets for equity and debt, they can alter their capital structures to implement a revised strategy more rapidly than can their academic counterparts.

Lessons for the Academy and Industry

The widespread, erroneous view that industry and the academy are worlds apart, subject to very different external forces that require sharply different management methods and behaviors, deserves correction. When business executives assume roles as higher education trustees, and when senior academic administrators accept membership on corporate boards, they need not and should not assume their career experiences are irrelevant to their new roles.

Senior academic administrators would do well to devote more time to understanding management and leadership practices in industry and considering how they apply, perhaps with modification, to their academic institutions. Some critics of higher education are prone to paraphrase Henry Higgins in *My Fair Lady* in decrying, "Why can't universities and colleges be run more like businesses?" My response: They can and are. We need to remain sensitive to the distinct differences—in mission, constituencies, and measurement of outcomes—between the academy and industry. But the similarities between the academy and industry, and thus the lessons available from across the gulf that has separated them for too long, deserve at least as much attention.

Finally, and perhaps most important, recognizing those similarities casts up interesting challenges for leaders in both realms. The following

are some troubling questions that deserve the particular attention of academic leaders and the trustees to whom they report:

1. Why have so few universities or colleges in this country fundamentally restructured or reengineered in the past decade, when during the same period the practice has become almost routine in industry? Surely, reengineering some processes employed by student services offices, for example, could make them more efficient and more user-friendly. For a complex set of reasons, the ranks of staff personnel in the academy have grown much faster than "line" (faculty) personnel; few academic institutions have tackled this imbalance. In addition, faculty vigorously resist restructuring to deliver education at lower cost.

2. Why is there so little agreement on the outputs or results higher education should maximize? Where does the objective of student learning fit in the equation? Does it receive as much attention as a faculty's scholarly objectives? Who are the real customers of higher education?

3. Is there an analogy between the increased self-centeredness that characterized industry managers in the 1980s, particularly the Wall Street community, and faculty who, on the whole, show signs of decreased institutional loyalty and increased faculty prerogatives?

4. Given the career tracks of most academic presidents—successful research and teaching and relatively little administrative experience, typically none of it outside the academy—is higher education a "closed system" in which novel patterns of work, organization, incentives and operational control are too quickly rejected as foreign? Should management development be given high priority in academic institutions, as it is in industrial companies?

Turnabout is fair play. The comparisons drawn in this paper lead us to ask some challenging questions of industrial chief executives and their boards as well. Given that industry and the academy are so similar, the following questions are relevant:

1. Can industry find a better balance in satisfying the needs and demands of its multiple constituencies? Frequent dissatisfaction of large shareholders (particularly institutional investors), high turnover of employees at all levels, excessive compensation of top executives, and slow response to customers' needs and complaints evidence imbalances.

2. Might not industry benefit from greater shared governance? Suppose more top executives in industry consulted their middle managers on a regular basis, as faculty members are consulted by their academic leaders. Might not companies benefit from empowering their employees with respect to many more issues than they do currently? Wouldn't still greater emphasis on leadership, and less top-down administration, benefit industry? Would such empowerment result in a concomitant reduction in employee turnover and an improvement in the balance between the pursuit of long-term and short-term objectives?

3. Does industry rely upon financial incentives to an excessive and expensive extent? Would more intangible rewards, such as recognition in a wide variety of forms, be an appropriate and cost-effective substitution for some monetary compensation? Prevailing compensation for academic middle-level and senior-level administrators is substantially less than in industry, although the tasks performed and the job security are very similar. The problem is not that the academic leaders are underpaid.

4. Should more industrial companies separate the function of board chair and chief executive as do virtually all higher education institutions?

Finally, let me suggest a sobering observation

Ironically, academic institutions have not become learning organizations devoted to continuous change and improvement, despite the opposite expectations they have for their students.

for leaders in both camps. I can think of no revolutionary new product or service—one that spawns a new industry—that has emanated from an organization ensconced in a related market or even from that market's dominant suppliers. Simply put, invention, innovation, and substantive change come from "the outside." A plethora of examples proves my point: minicomputers, personal software, overnight package delivery, airport hotels, microwave ovens, and distance learning are only a handful. Notable examples in the academic world are two for-profit academic enterprises: DeVry Institute and the University of Phoenix.

Schumpeter's creative destruction principle—often driven by technology, a key external force noted earlier in this paper—seems to be alive and well. As new opportunities emerge in industry and in higher education (teaching in fundamentally different ways to different students at different stages in their lives, for example), will major institutions prove to be more adaptable in the future than they have been in the past?

Leaders in higher education and industry have ignored each other too long, certain that their different environments demanded very different management behaviors. Each camp has tended to drift into a certain self-satisfaction, even smugness, in this view. The time to recognize that these differences have diminished is overdue.

About the Author

Henry E. Riggs has been president of Harvey Mudd College in Claremont, Calif. since 1988. Previously, he was vice president of development and chairman of the Department of Industrial Engineering and Engineering Management at Stanford University. He was vice president of finance for Measurex Corp. and chief executive officer (among other positions) of Icore Industries. He received his bachelor of science degree from Stanford University and his master of business administration from Harvard University.

The AGB Occasional Paper Series

1. **Emerging Policy Issues for Community Colleges**, by Louis W. Bender
2. **Emerging Policy Issues for State Coordinating Boards**, by Patrick M. Callan
3. **Emerging Policy Issues for Public Multicampus Systems**, by Alms C. McGuinness, Jr.
4. **Emerging Policy Issues for Foundations of Public Institutions**, by Royster C. Hedgepeth
5. **Emerging Policy Issues for Single-Campus Public Institutions**, by Kenneth P. Mortimer
6. **Emerging Policy issues for Historically Black Institutions**, by Alan H. Kirschner
7. **Emerging Policy Issues for Theological Schools and Seminaries**, by Christa R. Klein
8. **Emerging Policy Issues for Church-Related Institutions**, by Reverend William McInnes
9. **Emerging Policy Issues for Private Research Universities**, by Roger L. Geiger
10. **Emerging Policy Issues for Liberal Arts Colleges**, by Kathryn Mohrman
11. **Information Systems for Boards of Theological Seminaries**, by Lawrence M. Butler
12. **Achieving Integrity in Intercollegiate Athletics**, by Wilford S. Bailey
13. **Policies for Improving Trustee Selection in the Public Sector**, by Patrick M. Callan and Dean A. Honetschlager
14. **Emerging Issues in Independent School (K-12) Governance**, by Pearl R. Kane
15. **Tuition and Finance Issues for Public Institutions**, by Thomas P. Wallace, Darryl J. Greer, and James R. Mingle
16. **Issues of Athletic Certification for NCAA Division I Members**, by Maureen E. Devlin
17. **Long-Term Tuition Policy: What Happens When Tuition Rises Faster Than Ability to Pay?**, by John A. Dunn, Jr.
18. **"New Partnering" for Higher Education and the Corporate Sector**, by Delwin A. Roy
19. **Board Effectiveness in Theological Schools**, by Barbara E. Taylor and Christa R. Klein
20. **A Prescription for Vitality for Small, Private Colleges**, by Ruth B. Cowan
21. **Strategic and Operational Reform in Public Higher Education: A Mandate for Change**, by Robert C. Shirley
22. **Higher Education: On a Collision Course With New Realities**, by David W. Breneman
23. **Results of a National Survey of Theological School Board Characteristics, Policies, and Practices**, by Merrill P. Schwartz
24. **Integrating Endowment and Budget Planning**, by Myron P. Curzan and Louis H. Katz
25. **The "Local Board" in Multicampus Systems and Universities**, by Edgar B. Schick
26. **The New Activism of Corporate Boards and the Implications for Campus Governance**, by Richard P. Chait
27. **Reducing Student Costs and Enhancing Student Learning**, by Alan E. Guskin
28. **Strategic Budgeting: The Board's Role in Public Colleges and Universities**, by Dennis P. Jones
29. **Not So Different After All: Academic and Industrial Leadership in the 1990s**, by Henry E. Riggs

Individuals affiliated with AGB-member institutions may photocopy and distribute copies of this paper. If you would like additional copies bound in this format, please use this order form or call AGB Publications at 202/296-8400.

Each copy costs $4.95 ($3.95 each for 10 or more). For orders more than $10 but less than $29, please add $3 for shipping and handling. For orders $30-$49, please add $5. For orders $50-$100, add $7. For orders less than $10 or larger than $100, we ship for free.

Paper number in series	How many copies?	Cost
	Shipping	
	Total	

Name _____

Address _____

_____

City, State, Zip _____

Phone _____

Mail to AGB Publications, One Dupont Circle, Suite 400, Washington, D.C. 20036. Questions? Call 202/296-8400.

ORDERS FOR LESS THAN $25 MUST BE PREPAID. If your order totals $25 or more, we can bill you. Simply mail this form to AGB or fax it to 202-223-7053.